

UNITED STATES DISTRICT COURT
DISTRICT OF MINNESOTA

UNITED STATES OF AMERICA,)
)
 Plaintiff,)
)
 v.)
)
 1. JOSEPH STEVEN MEYER, and)
)
 2. GARET CLARK WRIGHT,)
)
 Defendants.)

INDICTMENT

CR11-299 PAM/SER

(18 U.S.C. § 2)
(18 U.S.C. § 1343)
(18 U.S.C. § 371)
(18 U.S.C. § 1512)
(18 U.S.C. § 1956)

THE UNITED STATES GRAND JURY CHARGES THAT:

Factual Background

1. The Cloud 9 Sky Flats ("Cloud 9") is a real estate development in Minnetonka, Minnesota.

2. Between on or about December 1, 2006 and approximately October 2007, JOSEPH STEVEN MEYER, GARET CLARK WRIGHT, and others known and unknown to the grand jury conspired and agreed to engage in a scheme to defraud mortgage lenders in connection with the marketing of Cloud 9 units through the submission of materially false information to lenders financing Cloud 9 sales.

3. The scheme involved MEYER, WRIGHT, and others finding buyers willing to apply for mortgage loans to purchase Cloud 9 units, processing the loan and property sale paperwork, and closing the sales. The participants in the scheme and the buyer knew that buyers were being paid between 25 and 30 percent of the purported purchase price outside of the formal closing. The forms submitted to lenders did not disclose the kickback to the buyers, and the conspirators knew that the payment of funds to a buyer from loan proceeds was material information to a lender.

FILED SEP 12 2011
RICHARD D. SLETTEN, CLERK
JUDGMENT ENTERED
DEPUTY CLERKS INITIALS

①

SCANNED
SEP 15 2011
U.S. DISTRICT COURT ST. PAUL

U.S. v. Joseph Steven Meyer, et al.

4. The kickback payment was returned to the buyers through an account controlled by a co-conspirator funded by a payment from the loan proceeds. Once she had payment meant for the kickback, the co-conspirator skimmed a percentage for herself and other facilitators in the deal before delivering the remaining funds to the buyer of the unit. The payments to scheme participants were not disclosed to lenders.

5. In some transactions, scheme participants made additional material representations to lenders financing Cloud 9 sales. For example, some loan applications falsely represented that the buyers intended to use the property as a primary residence when in fact the buyer intended that the property be an investment leased to a renter. Some loan applications falsely represented the liabilities of borrowers including omitting disclosure of other Cloud 9 properties already financed by the buyer.

6. The transactions were fraudulent because lenders were being misled about the true nature of buyers' participation in the transactions, and the total purchase price of each unit sold as part of the scheme to defraud was artificially inflated by at least the amount of the kickback.

7. Altogether over forty Cloud 9 units were sold through the scheme to defraud. More than \$14 million was fraudulently obtained from lenders, netting more than \$9 million in proceeds to the seller of Cloud 9 units. More than \$4 million in kickbacks was paid to buyers and other scheme participants.

U.S. v. Joseph Steven Meyer, et al.

COUNT 1
(Conspiracy)

8. Paragraphs 1-7 are hereby realleged and incorporated by reference.

9. From on or about December 1, 2006 and continuing until approximately October 2007, both dates being approximate and inclusive, in the State and District of Minnesota, the defendants,

**JOSEPH STEVEN MEYER and
GARET CLARK WRIGHT,**

did unlawfully and knowingly combine, conspire, and agree with each other and others known and unknown to commit an offense against the United States, namely,

having devised and intending to devise a scheme and artifice to defraud, and to obtain money and property by means of false and fraudulent pretenses, representations, and promises, for the purpose of executing the scheme and artifice, and attempting to do so, transmitted and caused to be transmitted by means of wire communication in interstate commerce, any writings, signs, signals, pictures and sounds, in violation of Title 18, United States Code, Section 1343.

PURPOSE OF THE CONSPIRACY

10. The purpose of the conspiracy was to defraud lenders financing the sale of Cloud 9 units.

MANNER AND MEANS

11. The manner and means of the conspiracy included locating buyers of Cloud 9 units, agreeing to pay the buyers and other participants in the transaction a kickback of approximately 30% percent of the financed price, and obtaining mortgage loans without disclosing this kickback to the lenders.

U.S. v. Joseph Steven Meyer, et al.

OVERT ACTS

12. In order to effect the object of the conspiracy and in furtherance of the conspiracy, a co-conspirator committed and caused to be committed overt acts in the State and District of Minnesota, including but not limited to:

- (1) On or about December 8, 2006, WRIGHT emailed MEYER, stating: "[T]he group just left C9 ... they ask for the 28% discount in cash back";
- (2) On or about December 14, 2006, WRIGHT emailed MEYER, stating: "Few questions / steps we'll need to get taken care of to keep the ball rolling ... Agent's commission: She asked me about this yesterday afternoon, to make sure she'd be getting 3%. I told her that I thought we were thinking about 1% or a flat fee ... she said 'no way would I do it for 1%' ... She would, however, take 2% ... Closings: [M.L.] has expressed some apprehension ... He doesn't know if [the title company will] be ok with cutting 59 checks of a pretty large amount to his buyers";
- (3) On or about December 19, 2006, WRIGHT emailed MEYER, stating: "Here's where we're at ... I have [Purchase Agreements] totaling just over \$9 million so far, at the 28% discount";
- (4) On or about January 9, 2007, WRIGHT emailed MEYER, stating: "I'm hearing from a few different members of the investment group that ... the lenders will not give them the loans";
- (5) On or about January 23, 2007, WRIGHT emailed MEYER, stating: "Maybe tomorrow ... we can try to have a conf. call ... I talked with [A.P.] ... and the problem she and her buyers have is that the lender wouldn't allow the 30% discount to go to the buyer's broker on the [HUD-1 Settlement Statement], so even if we had the addendum still in place on those, it wouldn't match what's on the HUD";
- (6) On or about January 29, 2007, Cloud 9 unit 508 was sold for a purported price of \$332,878 without disclosing to the lender financing the sale that

U.S. v. Joseph Steven Meyer, et al.

approximately 28% of the borrowed funds would be returned to the buyer;

- (7) On or about January 30, 2007, a wire transfer payment of \$88,741 was made from the seller of Cloud 9 unit 508 to a bank account controlled by a coconspirator;
- (8) On or about January 30, 2007, MEYER signed a document approving the total "discount" payment for Cloud 9 unit 508.

13. All in violation of Title 18, United States Code, Section 371.

COUNTS 2-23
(Wire Fraud)

14. Paragraphs 1-7 are hereby realleged and incorporated by reference.

15. On or about between December 1, 2006 and continuing until approximately October 2007, in the State and District of Minnesota and elsewhere, MEYER, WRIGHT, and others known and unknown to the grand jury attempted to and did engage in a scheme to defraud mortgage lenders in connection with the marketing of Cloud 9 units through the submission of materially false information to and the concealment of material information from lenders financing Cloud 9 sales. On or about the following dates, the defendants,

JOSEPH STEVEN MEYER and
GARET CLARK WRIGHT,

aided and abetted by others known and unknown, having devised and intending to devise the above described scheme and artifice to defraud, and to obtain money and property by means of false and fraudulent pretenses, representations, and promises, transmitted

U.S. v. Joseph Steven Meyer, et al.

and caused to be transmitted by means or wire communication in interstate and foreign commerce the following writings, signs, signals, pictures, and sounds for the purpose of executing such scheme and artifice:

COUNT	DATE	WIRE COMMUNICATION
2	01/26/2007	Wire transfer from a bank in Wisconsin to a bank in Ohio
3	01/29/2007	Wire transfer from a bank in Minnesota to a bank in Ohio
4	01/31/2007	Wire transfer from a bank in Minnesota to a bank in Ohio
5	02/01/2007	Wire transfer from a bank in Wisconsin to a bank in Ohio
6	02/08/2007	Wire transfer from a bank in Minnesota to a bank in Ohio
7	02/15/2007	Wire transfer from a bank in Minnesota to a bank in Ohio
8	02/15/2007	Wire transfer from a bank in Minnesota to a bank in Ohio
9	02/22/2007	Wire transfer from a bank in Minnesota to a bank in Ohio
10	03/07/2007	Wire transfer from a bank in Minnesota to a bank in Ohio
11	03/07/2007	Wire transfer from a bank in Minnesota to a bank in Ohio
12	03/09/2007	Wire transfer from a bank in Wisconsin to a bank in Ohio
13	03/16/2007	Wire transfer from a bank in Wisconsin to a bank in Ohio
14	03/16/2007	Wire transfer from a bank in Wisconsin to a bank in Ohio
15	03/26/2007	Wire transfer from a bank in Minnesota to a bank in Ohio

U.S. v. Joseph Steven Meyer, et al.

16	04/04/2007	Wire transfer from a bank in Wisconsin to a bank in Ohio
17	04/13/2007	Wire transfer from a bank in Wisconsin to a bank in Ohio
18	04/19/2007	Wire transfer from a bank in Wisconsin to a bank in Ohio
19	05/02/2007	Wire transfer from a bank in Wisconsin to a bank in Ohio
20	05/16/2007	Wire transfer from a bank in Minnesota to a bank in Ohio
21	05/25/2007	Wire transfer from a bank in Minnesota to a bank in Ohio
22	06/08/2007	Wire transfer from a bank in Minnesota to a bank in Ohio
23	06/28/2007	Wire transfer from a bank in Wisconsin to a bank in Ohio

16. All in violation of Title 18, United States Code, Sections 1343 and 2.

COUNT 24

(Money Laundering Conspiracy)

17. Paragraphs 1-16 are hereby realleged and incorporated by reference.

18. On or about between January 26, 2007 and continuing until approximately October 3, 2007, in the State and District of Minnesota and elsewhere, the defendants,

**JOSEPH STEVEN MEYER and
GARET CLARK WRIGHT,**

did knowingly and willfully conspire with each other, and other persons known and unknown to the Grand Jury, knowingly and willfully to:

U.S. v. Joseph Steven Meyer, et al.

conduct and attempt to conduct financial transactions affecting interstate commerce that involved the proceeds of wire fraud and the conspiracy described herein, knowing that the property involved in the financial transactions represented the proceeds of some form of unlawful activity, with the intent to promote the carrying on of the specified unlawful activity;

conduct and attempt to conduct financial transactions affecting interstate commerce that involved the proceeds of wire fraud and the conspiracy described herein, knowing that the property involved in the financial transactions represented the proceeds of some form of unlawful activity and that the transactions were designed in whole and in part to conceal and disguise the nature, location, source, ownership and control of proceeds wire fraud and the conspiracy described herein; and

engage in and attempt to engage in monetary transactions affecting interstate commerce in property of a value greater than \$10,000 derived from wire fraud and the conspiracy described herein, knowing that the monetary transaction involved proceeds of a criminal offense.

All in violation of Title 18, United States Code, Section 1956(h).

COUNT 25

(Witness Tampering)

19. On or about May 21, 2010, in the State and District of Minnesota, the defendant,

JOSEPH STEVEN MEYER,

did knowingly and corruptly attempt to persuade another person, with intent to influence the testimony of such person in an official proceeding and cause and induce such person to withhold testimony from an official proceeding, that is, the defendant encouraged GARET CLARK WRIGHT to testify falsely about knowledge of

U.S. v. Joseph Steven Meyer, et al.

the scheme to defraud described in this indictment, all in violation of Title 18, United States Code, Section 1512.

FORFEITURE ALLEGATIONS

Counts 1-25 of this Indictment are hereby realleged and incorporated as if fully set forth herein by reference, for the purpose of alleging forfeitures pursuant to Title 18, United States Code Sections 981(a)(1)(C) and 982(a)(1), and Title 28, United States Code, Section 2461(c).

As the result of the offenses alleged in Counts 1-23 and 25 of this Indictment, MEYER and WRIGHT shall forfeit to the United States pursuant to Title 18, United States Code, Section 981(a)(1)(C) and Title 28, United States Code, Section 2461(c), any and all property, real or personal, which constitutes or is derived from proceeds traceable directly or indirectly to the violations charged in Counts 1-23 and 25 of this Indictment.

As the result of the offense alleged in Count 24 of this Indictment, MEYER and WRIGHT shall forfeit to the United States pursuant to Title 18, United States Code, Section 982(a)(1), any and all property, real or personal, involved in the violations charged in Count 24, and in any property traceable thereto.

If any of the above-described forfeitable property is unavailable for forfeiture, the United States intends to seek the forfeiture of substitute property as provided for in Title 21, United States Code, Section 853(p), as incorporated by Title 18,

U.S. v. Joseph Steven Meyer, et al.

United States Code, Section 982(b)(1) and Title 28 United States Code, Section 2461(c).

All in violation of Title 18, United States Code, Sections 371, 981(a)(1)(C), 982(a)(1), 1343, 1512 and 1956, and Title 28, United States Code, Section 2461(c).

A TRUE BILL

UNITED STATES ATTORNEY

FOREPERSON